**S.6 ENT 2 TOPICAL TEST**

**TAXATION.**

**TIME: 2 HOURS**

**INSTRUCTIONS:**

*Attempt* ***all*** *questions.*

1. Ochom earned income from different source in the year 2016 shown below.

Business income shs. 8,000,000

Employment income shs. 19,200,000

Property income shs. 4,000,000

In addition, he incurred expenses and losses amounting to shs. 9,600,000.

A total of shs. 1,200,000 out of the gross income is tax exempt.

**Required** to calculate;

1. Gross income
2. Chargeable income.
3. Jonah Enterprises had the following **VAT inclusive** transactions with VAT registered enterprises for one month.

Shs

Purchases 278,480,000

Sales 306,328,000

**Required:**

1. Calculate the amount of VAT paid URA
2. Determine the business total sales value (VAT inclusive).
3. The following **VAT exclusive** transactions were availed to you by VAT registered businesses in your community for the month of July 2014
4. Musa bought goods worth shs. 40,000
5. Musa sold the same goods to Suba for shs. 58,000
6. Suba sold the same goods to Masa the retailer for shs. 70,000.
7. Masa sold the goods to the final consumer for shs. 84,000

**Required:**

Using the VAT rate of 18%.

1. Compute the VAT chargeable at each stage.
2. Advise Masa on the gross sales value for his goods to the consumer.
3. The table below shows the monthly PAYE tax rate in Uganda.

|  |  |
| --- | --- |
| **Monthly income shs)** | **Tax liability / Tax rate** |
| 0 – 235,000 | NIL |
| 235,000 – 335,000 | 10% of amount by which chargeable income exceeds shs. 235,000 |
| 335,000 – 410,000 | Shs. 10,000 plus 20% of the amount by which chargeable income exceeds shs. 335,000 |
| Exceeding shs. 410,000 | a) shs. 25,000 plus 30% of the amount by which chargeable income exceeds shs. 410,000.  b) Where chargeable income shs. 10,000,000, an additional 10% charged on incomes exceeding shs. 10,000,000. |

1. Calculate the income tax payable by the following employees who earned the following incomes in the month of March 2016.
2. Muchafu shs. 235,000
3. Masikin shs. 400,000
4. Maedeleo shs. 600,000
5. Mutajiri shs 11,000,000
6. The following **VAT inclusive** transactions were carried out by VAT registered businesses in February 2016 at different chains of distribution.
7. Jero bought goods worth shs. 9,000,000
8. Jero sold all the goods to Derrick for shs. 12,980,000.
9. Derrick sold the same goods to Jef the retailer for shs. 16,250,000.
10. Jef sold the goods to the final consumer for shs 22,420,000.

Calculate the VAT chargeable at each stage using VAT rate of 18%.

1. Advise the entrepreneurs on the importance of paying taxes.
2. a) A VAT registered trader had the following information during the year 2017.
3. Bought raw materials shs. 200,000 (excluding VAT).
4. Processed the raw materials into finished goods at a cost of shs. 100,000.
5. Sold the finished goods at a profit of 20% on cost.

**Required:** use 18% vat rate to calculate;

1. input tax
2. output tax
3. VAT paid to Uganda Revenue Authority (URA)

b) State two advantages of Value Added Tax (VAT).

1. Given that the threshold for rental income is shs. 2,820,000 and the rate for rental income is 20%. Calculate the rental tax payable by landlords who earned the following rental income in 2017.
2. Bagaala John Shs. 18,000,000
3. Sempija Joel shs. 10,500,000
4. Ssejemba Rogers Shs. 2,220, 000
5. There is a concern about tax evasion among entrepreneurs in your district.

As a tax compliant entrepreneur the District Trade Officer has requested you to address entrepreneurs.

1. Give the meaning of tax evasion.
2. Mention three examples of tax evasion practiced by entreprenurs in your community.
3. Explain the consequences of tax evasion to the business.
4. Suggest to the entrepreneurs the actions they should take to increase the level of tax compliance.
5. EGEAN enterprises had the following **VAT exclusive** transactions with VAT registered enterprises for one month.

shs

Purchases 236,000

Sales 259,600

Required;

1. Calculate the amount of VAT paid to URA.
2. Determine the business’ total sales value (VAT inclusive)
3. Oket is employed by EGEAN Entreprises where he earns a total gross salary of shs. 8,400,000 per year. This means that he falls under the fourth income tax bracket indicated below.

|  |  |
| --- | --- |
| **4th income tax bracket** | **Tax per month** |
| Shs. 410,000 per month | Shs. 25,000 + 30% of the amount exceeding shs. 410,000 |

Required to calculate.

1. The amount Pay As You Earn. (PAYE) expected to be paid by Oket for a year.
2. Oket’s Net Annual income.

***END***